

Bosnia and Herzegovina

The Development Challenge

The USAID program in Bosnia and Herzegovina (BiH) aims to help develop a stable and prosperous society and support progress towards full integration into the European Union. Post-conflict reconstruction is now complete. The country's pressing needs have moved significantly beyond humanitarian assistance and reconstruction. The current challenges facing BiH are to build a viable nation state whose economic growth is sustained by a modern market economy with political and governmental institutions that function like a modern democracy. USAID is working with host country public and private institutions to: promote effective rule of law; establish a tax regime that supports fiscal stability and eliminates anti-business taxes; promote the development of small and medium enterprises; develop more competitive and inclusive political processes; help legislatures perform their leadership and oversight functions; and increase citizen participation in political and social decision making.

Other Major Donors

Bi-Lateral Donors: Sweden, Netherlands, Italy, Switzerland, Japan, Canada, United Kingdom, Norway

Multi-Lateral Donors: European Union, World Bank, European Bank for Reconstruction and Development, International Monetary Fund, and United Nations Development Program

Data Sheet

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| USAID Mission: | Bosnia and Herzegovina |
| Program Title: | Economic Restructuring |
| Pillar: | Economic Growth, Agriculture and Trade |
| Strategic Objective: | 168-0130 |
| Status: | Continuing |
| Planned FY 2006 Obligation: | \$9,970,000 AEEB |
| Prior Year Unobligated: | \$1,371,000 AEEB |
| Proposed FY 2007 Obligation: | \$7,236,000 AEEB |
| Year of Initial Obligation: | 2001 |
| Estimated Year of Final Obligation: | 2010 |

Summary: USAID's work to accelerate private sector growth falls under three program components: Improve Economic Policy and Business Environment; Improve Private Sector Competitiveness; and Expand and Improve Access to Economic and Social Infrastructure. Under this objective, USAID works to create an enabling environment for small and medium enterprises (SMEs) to grow and to improve competitiveness of SMEs to create jobs and contribute to reducing trade deficits.

Inputs, Outputs, Activities:

FY 2006 Program:

Expand and Improve Access To Economic and Social Infrastructure (\$800,000 AEEB, \$700,000 AEEB prior year recoveries). USAID's energy programs work to rationalize the energy sector to enable it to fully integrate into the regional European framework. During FY 2006, USAID will begin work on reunification of the three existing energy regulatory commissions into one state commission. USAID will provide technical assistance for the preparation of amendments to existing laws to be adopted by the Bosnia and Herzegovina (BiH) Parliament. Technical assistance will also be provided for the writing of a State level gas law to be passed by the BiH State Parliament. Principal contractors: Pierce Atwood Attorneys (prime) and PA Government Services (prime).

Improve Economic Policy and the Business Environment (\$2,920,000 AEEB, \$571,000 AEEB carryover). In cooperation with the high judicial and prosecutorial council, USAID will transfer well tested training programs to the Judicial Training Centers (JTC), enabling the JTC to continue bankruptcy training programs. In addition, the integrated case management software system, designed by USAID partners, will be installed in 23 first and second instance courts. Judges and other court personnel will continue to be trained on how to direct court administration procedures and practices using the software. Building on its long history of successful tax administration modernization efforts, USAID will support the development of a coherent framework for direct taxation that incorporates corporate and personal income taxes and market value-based real estate tax. Assistance will be provided to both entities and the Brcko District in designing and implementing a legal tax framework that is regionally competitive, comprehensive, coherent and consistent with international best practices. At the state level, assistance will focus on fiscal planning issues to strengthen BiH's tax policy and revenue projection analysis capacity. Principal contractors: Chemonics International (prime) and to be determined (TBD).

Improve Private Sector Competitiveness (\$6,250,000 AEEB). In the forestry sector, USAID will focus on priority legal and regulatory reforms that will help ensure proper economic governance of forestry resources. Assistance will focus on amendments to forestry legislation, strengthening regulation and licensing of sawmills, implementation of centralized, transparent and competitive cash auctions for saw logs, and the implementation of managerial reorganization and restructuring of the Forestry Management Company, a state-owned company. In the tourism sector, local counterparts will be assisted in developing business strategies for the Sarajevo, North-West and Herzegovina regions. USAID will support efforts by local authorities to reform and streamline permit and inspection procedures that are required to start and operate businesses. To ensure that a consensus is reached among all stakeholders on how to reduce this regulatory burden, this assistance features the use of working groups, consisting of local government authorities and entrepreneurs. Principal contractors: Emerging Markets Group (prime) and Chemonics

(prime).

Development Credit Authority (\$100,000 AEEB prior year recoveries). USAID will sign Development Credit Authority (DCA) loan portfolio guarantee agreements with BiH financial institutions that will reduce their risk in making commercial loans to businesses. The DCA agreements will continue to demonstrate to other financial institutions that long-term commercial loans are not only possible but also beneficial to banks. The DCA program will continue to increase both aggregate lending and the number of financial products available to the private sector helping to support sustained economic growth and employment. The loans guaranteed under the DCA will be provided to BiH private enterprises in the agro-processing, wood-processing and tourism industries, as well as agricultural cooperatives.

FY 2007 Program:

Expand and Improve Access To Economic and Social Infrastructure (\$1,000,000 AEEB). During FY 2007, USAID will help in establishing a single BiH energy market that will be regulated by a single state energy regulatory commission. All daughter companies of the three power companies will be corporatized and operate under the headquarters holding company. Throughout 2007, USAID will assist the BiH State Ministry of Foreign Trade and Economic Resources to interact and coordinate with the European Integration Directorate, allowing BiH to meet all EU directives with regard to the energy sector. USAID will assist the state regulatory commission with its interactions with the Energy Community on South Eastern Europe and with membership on the regulatory Board. Principal contractor: TBD.

Improve Economic Policy and the Business Environment (\$1,000,000 AEEB). In FY 2007, USAID will provide assistance to the BiH tax authorities to implement the harmonized corporate and personal income taxes by training the tax administration staff while completing the implementation of real estate taxes in the Brcko District. Lessons learned from the Brcko experience will be used to modernize the legal framework for real estate taxation in the two entities. After the adoption of this legislation, support will focus on the effective implementation of these laws. Principal contractor: TBD.

Improve Private Sector Competitiveness (\$5,236,000 AEEB). In FY 2007, USAID will support the streamlining of the construction permit process to reduce the costs and time required to receive construction permits. USAID will provide assistance to local authorities to amend the appropriate construction permit regulations. A management information system will be developed to ensure that a transparent inspection system is in place, reducing the possibility of misuse and corruption of building permits and other inspections. USAID will continue to support competitiveness in tourism and wood processing. USAID's efforts will assist the forestry sector to undertake reforms so that corruption and political influence are eliminated, making the sector more hospitable for investment and firm growth. USAID strives to create more and better-paying jobs in both sectors. Principal contractors: Emerging Markets Group Ltd (prime) and Chemonics (prime).

Performance and Results: USAID's work on developing private sector-led economic growth through its activities has resulted in the creation of new jobs and increased business competitiveness. Since 2001, USAID achieved the following: 1) 1,500 total direct jobs were created and 3,200 were sustained; 2) Loans totaling \$26 million dollars were made to 154 SMEs; 3) exports from assisted SMEs increased by 50% in one year; 4) tax revenues were increased by 15%; and 5) the first two successful bankruptcy cases were adjudicated salvaging productive assets and saving jobs. The end result of this program will be productive and efficient BiH SMEs contributing to increased job generation and exports.

Data Sheet

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| USAID Mission: | Bosnia and Herzegovina |
| Program Title: | Multi-Ethnic Democratic Society |
| Pillar: | Democracy, Conflict and Humanitarian Assistance |
| Strategic Objective: | 168-0210 |
| Status: | Continuing |
| Planned FY 2006 Obligation: | \$12,636,000 AEEB |
| Prior Year Unobligated: | \$2,291,000 AEEB |
| Proposed FY 2007 Obligation: | \$9,352,000 AEEB |
| Year of Initial Obligation: | 2001 |
| Estimated Year of Final Obligation: | 2010 |

Summary: USAID's program to develop a more participatory, inclusive democratic society includes training and technical assistance to strengthen the justice sector, support democratic local government and decentralization, strengthen the legislative function and the legal framework, strengthen democratic political parties, strengthen civil society, and establish and ensure media freedom and freedom of information.

Inputs, Outputs, Activities:

FY 2006 Program:

Strengthen Civil Society (\$3,230,000 AEEB, \$622,331 AEEB carryover, \$500,000 AEEB prior year recoveries). USAID is supporting initiatives such as civic advocacy, coalition building, grass-roots community development and domestic philanthropy. USAID is also supporting a local organization to develop a code of conduct and service standards for non-profit organizations. USAID technical assistance supports justice and finance ministries to improve the legislative and tax frameworks to facilitate the development of the non-profit sector. USAID supports indigenous policy analysis and is building the capacity of BiH trade unions. Principal contractors and grantees: International Center for Not-for-Profit Law (prime), Urban Institute (prime), Center for Civil Society Promotion (prime), American Center for International Labor Solidarity (prime), Centers for Civic Initiatives (prime).

Strengthen Democratic Political Parties (\$1,700,000 AEEB, \$1,168,717 AEEB carryover). USAID is providing training on coalition building, assisting in the development and efficiency of party caucuses, promoting issue-based politics, developing local policy analysis organizations, and supporting select ministries in developing communication strategies. Elections-related activities to promote issues-based politics will also be undertaken. Principal grantees: International Republican Institute (prime) and National Democratic Institute (prime).

Strengthen the Justice Sector (\$3,500,000 AEEB). The Justice Sector Development Project (JSDP) focuses primarily on building efficient and effective local institutions. JSDP works on court administration reform, legal education, and provides technical and material assistance to the high judicial and prosecutorial council and the Ministry of Justice. In FY 2006, a new activity will be undertaken to promote more universal access to justice. Principal contractor and grantees: American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI) (prime), East-West Management Institute (prime), Center for Institutional Reform and the Informal Sector (prime), Vasa Prava (sub), Public Interest Law Initiative (sub) and National Judicial College (sub) and to be determined (TBD).

Strengthen the Legislative Function/Legal Framework (\$206,000 AEEB). In an effort to reform the way parliamentarians and their staff carry out lawmaking and oversight duties, USAID will continue to develop the institutional capacity of the parliaments by working on procedural reforms. Principal grantee: Organization for Security and Cooperation in Europe (OSCE) (prime).

Support Democratic Local Government and Decentralization (\$4,000,000 AEEB). USAID is promoting efficient and transparent local governance in a project co-financed by Swedish Sida. Through technical and financial assistance, USAID will introduce one-stop shops in forty municipalities, making it easier for

citizens and businesses to access services. USAID will also continue efforts to make structures of governance more rational and efficient through fundamental public finance and legal reforms. USAID will use the Development Credit Authority (DCA) mechanism to promote the development of a long-term municipal credit market. Principal partners: Development Alternatives, Inc. (prime) and a local partner bank (TBD).

FY 2007 Program:

Strengthen Civil Society (\$2,300,000 AEED). USAID will support local organizations with training, technical assistance, and grant funds. USAID will also support policy research organizations' efforts to expand their capacity to provide data and research to legislative bodies. Principal grantees: International Center for Not-for-Profit Law (prime), Urban Institute (prime), Center for Civil Society Promotion (prime), American Center for International Labor Solidarity (prime), and others (TBD).

Strengthen Democratic Political Parties (\$1,600,000 AEED). USAID anticipates the need to provide limited continued training and technical assistance to political parties in the following areas: coalition building, development and efficiency of party caucuses, promoting issue-based politics, developing local policy analysis organizations, and developing communication strategies. Principal grantees: International Republican Institute (prime) and National Democratic Institute (prime).

Strengthen the Justice Sector (\$2,450,000 AEED). USAID will continue efforts to strengthen judicial institutions and ministries, improve court functions, advance citizens' legal rights, increase the government's compliance with administrative legislation, and introduce new courses and teaching methodologies within law faculties. Principal contractors and grantees: ABA/CEELI (prime), East-West Management Institute (prime), other local organizations TBD.

Support Democratic Local Government and Decentralization (\$3,002,000 AEED). USAID will continue efforts to assist local governments in their efforts to promote local economic development by improving customer service provisions, modernizing budget and finance methods, and encouraging the use of public-private partnerships. An assessment to be undertaken in early 2006 will help determine programming priorities. Principal contractor: Development Alternatives Inc. (prime) and other organizations (TBD).

Performance and Results: In FY 2005, BiH continued to make progress in its democratization efforts. For instance, USAID designed revenue allocation legislation which will move the public finance systems of both entities towards rationality. USAID's media efforts significantly increased the quantity and quality of locally-produced programs and investigative print stories.

Data Sheet

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| USAID Mission: | Bosnia and Herzegovina |
| Program Title: | Cross-Cutting Programs |
| Pillar: | No pillar info |
| Strategic Objective: | 168-0420 |
| Status: | Continuing |
| Planned FY 2006 Obligation: | \$3,450,000 AEEB |
| Prior Year Unobligated: | \$2,464,000 AEEB |
| Proposed FY 2007 Obligation: | \$3,809,000 AEEB |
| Year of Initial Obligation: | 2004 |
| Estimated Year of Final Obligation: | 2010 |

Summary: Funds under this program support objective enable USAID to develop new activities, monitor and evaluate activity implementation, and carry out public outreach activities throughout BiH. In addition, funds support cross-cutting programs in participant training and trafficking in persons.

Inputs, Outputs, Activities:

FY 2006 Program:

Program Support (\$2,650,000 AEEB, \$402,669 AEEB carryover, \$624,000 AEEB prior year recoveries). USAID will continue support for the operations and personnel costs of program staff who manage USAID's on-going programs. Funds will also support new program designs and public outreach activities. USAID's participant training program provides short-term technical training to mid and high-level professionals from the public and private sectors of Bosnia and Herzegovina. Training programs are conducted in the United States, in third countries, and in BiH. They directly complement USAID programs in support of economic growth and democracy building. Principal contractor: World Learning (prime).

Reduce Trafficking In Persons (\$800,000 AEEB, \$1,446,000 AEEB carryover). USAID's anti-trafficking program will be co-funded by Swedish Sida and is designed to strengthen the capacity of the Government of BiH to combat trafficking in persons. Interventions under this program will help the Government of BiH to implement the national action plan on combating trafficking in human beings and support the U.S. Government Trafficking in Persons Strategy for BiH. Specifically, USAID's new activity to combat trafficking in persons will provide legal services and other assistance to victims of trafficking as well as to strengthen the capacity of the Office of the State Coordinator for the Prevention of Trafficking in Persons. USAID will support public awareness raising and local empowerment programs. Additional activities include protecting vulnerable populations from the risk of being trafficked, specifically children without parental care. USAID will continue efforts to strengthen social and child protection services primarily through the promotion of foster care. Principal grantees: Save the Children UK (prime) and to be determined (TBD).

FY 2007 Program:

Program Support (\$2,679,000 AEEB). In addition to continuing to support the operations and personnel costs of the program staff, FY 2007 funds will be used for new program designs, evaluations, and public outreach. USAID will continue its participant training program by sending more than 100 senior and mid-level Bosnian professionals to training in the United States or third countries or by providing training for them in BiH. Selected participants will be decision-makers within their organizations who will have an immediate and substantial impact within their institutions in the sectors of economic restructuring, local governance, and civil society development. Principal contractor: World Learning (prime).

Reduce Trafficking In Persons (\$1,130,000 AEEB). In FY 2007, USAID will continue to protect vulnerable populations from the risk of being trafficked as well as care for victims of trafficking. In cooperation with Swedish Sida, USAID will provide legal services and other assistance to victims of trafficking and strengthen the capacity of the Office of the State Coordinator for the Prevention of Trafficking in Persons. USAID will also support public awareness raising and local empowerment programs. Additional activities include strengthening social and child protection services primarily through the promotion of foster care.

Principal grantees: Save the Children UK (prime) and TBD.

Performance and Results: USAID's cross-cutting activities successfully supported the goals of the entire program. In 2005, the goal of training approximately 200 decision-makers in the United States and third countries and 600 individuals in BiH was achieved. As a result, participants received the tools to undertake a number of initiatives in economic restructuring, democratic reform and infrastructure development. USAID's anti-trafficking efforts succeeded in providing shelter, protection, food, clothing, hygienic supplies, identification documents, and medical assistance to nearly 70 trafficked victims awaiting repatriation. Likewise, USAID's partners successfully completed a nation-wide public awareness campaign of the dangers of trafficking that resulted in a 10% increase in knowledge among children.